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**FISCAL IMPACT STATEMENT**

**LS 6393**

**BILL NUMBER:** SB 106

**NOTE PREPARED:** Feb 25, 2014

**BILL AMENDED:** Feb 24, 2014

**SUBJECT:** Local Government Transparency.

**FIRST AUTHOR:** Sen. Charbonneau

**FIRST SPONSOR:** Rep. Negele

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *State Board of Finance:* The bill requires the State Board of Finance to post a narrative description of all approved transfers of money, and the reason for each transfer, on the Indiana transparency Internet web site.

*Department of Local Government Finance:* The bill requires the Department of Local Government Finance (DLGF) to develop indicators of fiscal health for school corporations and other political subdivisions.

It also requires the DLGF to present information for evaluating the fiscal health of political subdivisions on the Indiana transparency Internet web site through conveniently and easily accessed dashboards.

The bill prohibits the DLGF and other state agencies from using the fiscal health indicators to do either of the following: (1) Assign a school corporation or political subdivision a letter grade, a score, or any other symbol that may be used as an assessment of the fiscal health of the school corporation or political subdivision. (2) Rank the fiscal health of a school corporation or political subdivision in comparison to other school corporations or political subdivisions.

*Technical Assistance:* The bill allows political subdivisions to request technical assistance from the Distressed Unit Appeals Board (DUAB) beginning in 2015.

*Office of Management and Budget:* The bill requires the Office of Management and Budget (OMB) to evaluate whether the DUAB requires additional powers and resources to provide technical assistance. It also requires OMB to also evaluate the organizational structure, board composition, and number of board members of the DUAB. The bill allows the OMB to recommend any legislation necessary to provide those

additional powers and resources to the DUAB.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The bill potentially increases the workload of the DUAB, resulting in additional costs for the DLGF, which provides staff and assistance and supports the DUAB from the DLGF budget. Any increase in expense for the DLGF will depend on the number of units requesting technical assistance from the DUAB and the technical assistance the DUAB provides.

The bill is expected to have no fiscal impact on the DLGF to develop and present indicators of fiscal health of school corporations and other political subdivisions on the Indiana transparency web site, or for the Office of Management and Budget to evaluate and make recommendations concerning the DUAB.

(Revised) The Auditor of State is expected to have minimal costs posting a narrative description of all fund transfers. The State Board of Finance is composed of the Governor, State Auditor, and State Treasurer. The minutes of the Board are posted on the Auditor's website, and transfers are explained within the minutes.

*Additional Information:* The DUAB met three times in both CY 2012 and CY 2013. It considered three appeals from local units in CY 2012 and two appeals in CY 2013.

Under the bill, the DUAB would provide information and technical assistance with respect to data management, accounting, or other aspects of fiscal management to a political subdivision, or help the political subdivision obtain assistance from state agencies and other sources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Technical Assistance:* If a political subdivision that is showing signs of financial distress is able to benefit from technical assistance provided by the DUAB, the unit may not have to go through a full appeal to the DUAB. Whether cost savings occur will depend on the steps the political subdivision must take to regain fiscal health and the cost of the appeal that was avoided.

*Fiscal Health Indicators:* The DLGF indicates that no additional information will be needed from local units to calculate the fiscal health indicators suggested in the bill.

**Explanation of Local Revenues:**

**State Agencies Affected:** DLGF, OMB, DUAB, Auditor of State.

**Local Agencies Affected:** Public schools and political subdivisions.

**Information Sources:** Micah Vincent, Commissioner, DLGF.

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